

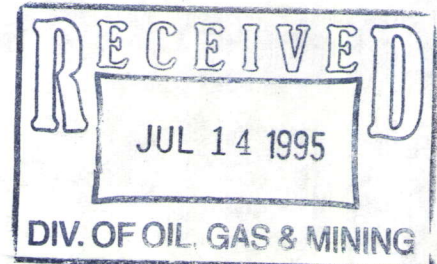
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ROBERT E. COVINGTON
CERTIFIED PROFESSIONAL GEOLOGIST
P. O. BOX 1845
VERNAL, UTAH 84078

NO. 1705
FAX # (801) 789-4560
PHONE (801) 789-3233

JULY 10, 1995

Douglas M. Koza
Deputy State Director of Mineral Resources
Utah State Office
Bureau of Land Management
324 South State, Suite 301
Salt Lake City, UT 84111-2303



Re: 3598
UTU-0126693
(UT-921)

Dear Sir:

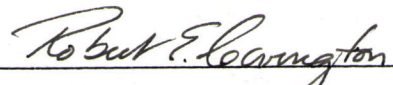
We have received your letter of July 7, 1995 concerning our Non-Compliance on the above stated gilsonite lease.

In accordance with your instructions, we enclose for your review and approval a new exploration plan which is submitted as a minor modification to the Mine Plan for the Cowboy-Bandanna vein plan.

We hope that this submittal will correct our Non-Compliance status with regard to this lease.

Thank you for your courtesy and concern in helping us correct this matter.

Very truly yours,



ROBERT E. COVINGTON, CONSULTANT FOR:
ZIEGLER CHEMICAL & MINERAL CORPORATION

rec/bc.

Encl.

cc: Norman Haslem
Tony Gallegos, Utah Div. Oil, Gas & Mining

PLAN OF EXPLORATION
SUBMITTED AS A MINOR MODIFICATION TO MINING PLAN OF
ZIEGLER CHEMICAL & MINERAL CORPORATION
U.S.GILSONITE LEASE U-0126693
COWBOY-BANDANNA VEIN
SECTION 33 T8S-R24E, SLM
UINTAH COUNTY, UTAH

THE BACKGROUND:

The Mine Plan for mining gilsonite on the northwest extension of the Cowboy-Bandana vein by Ziegler Chemical Corporation, with an address of 100 Jericho Quadrangle, Jericho, New York, 11753 and with a phone number of (516) 681-9600, was approved by the Bureau of Land Management on January 26, 1994. First and Second Addendums were added to the report, together with a "Minor Modification of the Mine Plan. Gilsonite mining has been underway since early Spring of 1994.

On 9 July, 1995, Robert E. Covington, Consultant to Ziegler Chemical & Mineral Corporation, received from the Utah State Office of the BLM a certified letter which was a Notice of Non-Compliance. The complaint as stated was:

- (1) Three holes were drilled instead of two (2) as requested in our letter to the BLM dated April 5, 1995.
- (2) The holes were not drilled at the distance from the vein as set forth in that letter.
- (3) The BLM was not notified of the modification set forth in our letter.

With reference to Item (1), the No.1 hole was drilled to 162' and experienced hole trouble, so drilling was stopped at that point and the No.1-B hole was drilled in its place. With regard to Item (2), the rig was "new" to the driller (i.e. unfamiliar), so the holes were located closer to the vein. With reference to Item (3), we were not aware that this modification had to receive approval from your

office, but we are certainly aware of that now. We have now reviewed the "Regulations Pertaining to Solid Minerals other than Coal & Oil Shale", 43CFR 3500 and will follow these guidelines in the future.

Underground mining on the Cowboy-Bandanna vein in Shaft No.1 has encountered rock problems within the vein system. In an attempt to find a workable solution to these problems, Ziegler Chemical & Mineral Corporation decided to undertake a two-pronged investigation. The first route was to drill the holes which we requested in our letter of April 5, 1995. The second approach was the use of surface mapping of the vein system by plane table mapping. The latter phase has nearly been completed and should prove invaluable. With regard to the holes drilled, Hole No.2 needs deepening for intersecting the vein to establish the required data. Therefore, this Exploration Plan requests BLM approval to deepen that hole. The holes will be electric logged with Gamma Ray-Formation Density tools and will be plugged in accordance with all of the regulations of 43 CFR 3500.


In conformance with 43 CFR 3592.1-Operating Plans- Operator has, as previously stated, determined that an effective mining plan on this vein system must include some drilling of exploration holes. A modification plan to permit the drilling of additional holes within the "less than 5 acre disturbance area" of Mine Shaft No.1 and the proposed Mine Shaft No.2 , (our letter of February 5, 1995 to the Utah State Office of the BLM. requests permission to move onto the second shaft site for reasons stated) is hereby requested, which approval we request for subsequent shafts (as set forth in the Mine Plan). From a practical standpoint, there would probably be 2 or 3 holes per shaft area investigation.

Prior to the approval of this Plan of Exploration, Ziegler herewith requests approval to drill one (1) hole directly at Mine Shaft No.1 as soon as possible. Mining operations require the information.

We will inform you prior to the drilling of any additional test holes as set forth in our Exploration plan and will include all pertinent data such as location of holes, proposed depth, copies of logs, notices of plugging and abandoning and all regulations pertaining to exploration holes.

We therefore request your approval of the plans as set forth in this letter. If we can be of further assistance in this matter, please let us know.

Very truly yours,



ROBERT E. COVINGTON, CPG NO. 1705, CONSULTANT TO:
ZIEGLER CHEMICAL & MINERAL CORPORATION

rec/bc.

cc: State of Utah, Div. of Oil, Gas & Mining
Gordon S. Ziegler, Jr.
Norman Haslem